eChalk LLC submits the following comments in response to the FCC's
Notice of Proposed Rulemaking regarding the rules governing the Schools
and Libraries Universal Service support mechanism.

eChalk is a new, small business with a web-based email product designed
for schools and which has been determined to be eligible under the
Internet Access category by the SLD. eChalk has participated in the
E-rate program during funding years 4 and 5. Due to the new and unique
service eChalk offers, the SLD was originally uncertain how to
categorize our service. As a result, our first year in working with the
approval process, Year 4, was a very bumpy and inconsistent one for both
us and our clients. Since a substantial portion of our customers obtain
funding to help pay for our service through E-rate, changes to the
program stand to have a significant economic impact on our business.

Within this document we have responded to three sections of the NPRM:

1.   Issues Related to the Process for Determining Eligible Services,
2.   The Appeals Process, and
3.   General Comments.

1.   Issues Related to the Process for Determining Eligible Services:

eChalk believes that the recommendation for a list of eligible services
and products that are pre-approved by the SLD is a good one. This list
could be determined as the vendor is seeking its SPIN number, during
which time the PIA team or another appointed team could review the
vendor's products and services and determine if they are eligible for
discount and under what circumstances. Products/services that are
eligible only if used in certain ways could have a special
categorization and applicants could be required to describe on their 471
how they would be used.
By creating this list of pre-approved vendors, the SLD could
significantly simplify and shorten the application review process. Such
a list would greatly help applicants, vendors and the SLD. Not only
would it help avoid accidental funding of ineligible services, but also
the accidental denial of eligible services which causse great hardship
for both the applicant and the vendor.

As a young company with a new product, eChalk and our clients would
greatly benefit from this type of list. All subjective decision making
on the part of the PIA team members would be eliminated protecting
eligible services from being mistakenly denied. During FY4, eChalk has
seen incredible inconsistency in the decision making of the PIA team
with respect to the eligibility of eChalk's service. While eChalk has
been assured time and time again that it's services are eligible, we
still saw several FRNs denied in full because a member of the PIA team
misunderstood something and claimed the eChalk service was ineligible
(these were all successfully appealed at cost to both the SLD and eChalk
and resulting in huge delay of service start). This lack of consistency
in decision-making on eligible services within the PIA team has created
an economic strain for our company as well as hardship for our schools
who were prevented from accessing our service despite having budgeted
their part of the fee. Having a pre-determined list of eligible
services would eliminate these types of mistakes and improve efficiency

as well as allow schools the ability to use the funds in a timely manner.

In terms of efficiency, the PIA team's time would not have to be spent seeking additional detailed descriptions of services, as they have with most of our customers, further delaying the approval process. At the request of PIA, these descriptions of services become more detailed and therefore they become more complicated and there is more room for misinterpretation of services offered.

A list of approved services by vendor would serve to meet all three of the FCC's goals of streamlining the process, ensuring fair and equitable disbursement of funds and protecting against waste and fraud.

2.   Funding of Successful Appeals

The current process for successful appeals leads to greater confusion and continued delays of funding despite an applicant being told that they have won their appeal. This needs to change. As things are now, when an appeal is granted, the applicant receives a letter stating such. However, in order to move forward with invoicing and starting services, the applicant must wait until they receive a new Funding Commitment Decision Letter. This new Funding Commitment Letter with a brand new FRN must be created by the SLD complete with a re-issued FCDL. This seems to be an unnecessary extra step that further delays the start of services after the applicant has already been forced to wait through the entire, lengthy appeals process. Particularly for priority one services, this prevents applicants from receiving the full benefit of the funds. For example, some of our applicants had their FY4 appeals approved in November of 2001. However, it wasn't until several months later that the final FCDL was issued forcing these clients to start a service almost ten months after the scheduled date effecting their budgets, implementation and meeting deadlines imposed by their school board. These two steps should be combined so that when an applicant receives a positive decision on an appeal, that is the final step in the approval process and they can file a 486 and start services at once.

3.   General Comments:

eChalk would like to offer general comments on the process for approving funding requests. In our experience, the lag time for the SLD to approve the majority of the funding requests has had significant economic impacts on eChalk as a small business, as well as denying services for schools. eChalk is an ongoing service for which schools pay an annual fee. When an applicant doesn't receive its FCDL until January of the funding year in question, that school can only take advantage of half of the funds they were approved for directly effecting their ability to implement, use and pay for the service. Likewise, the vendor receives only half the revenue it had projected which in the case of a small business can have severe economic repercussions.

eChalk would like to describe a real situation where this has occurred and it has negatively impacted both the applicant and the eChalk. One of our larger customers did not receive their funding commitment letter for Y4 until the very end of January 2002 =96 7 months into the funding

year.
After receiving the FCDL the district began the process of moving
towards implementation of the eChalk system. However =96 they then
decided
that they did not want to invest in eChalk after all because there were
only a few months left of the school year for them to implement and
begin using the service. This has resulted in funds going unused, the
district not being able to take advantage of our service and has put an
economic strain on eChalk.

eChalk recommends that, in the case of services charged on an annual
basis, an applicant has one full year from the date of the FCDL to
utilize the funds for a service it is seeking. Fairness demands that
applicants should receive funding (or=A0have the opportunity to receive
funding)=A0for the total=A0number of months of service that=A0they have
requested --=A0no matter when the SLD issues its funding letter.
For example, if the applicant is applying for internet access as a one
year service - and the FCDL isn't released until December of that
funding year =96 the applicants should be able to apply those funds to
one
full year of internet access service from December to December. The
FCC's decision to=A0extend service dates in certain circumstances=A0for
non-recurring services=A0is precedent for this.

By altering the process in this way - applicants would be able to use
the full amount that they were funded for as well as the full amount
they budgeted for therefore reducing the amount of unused funds.

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